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941116 DEC 12 1994

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No. _____

THE SUPREME COURT OF THE UNITED STATES

OCTOBER TERM 1994

U.S.A. DIRECT, INC., RICHARD OSBORNE,

WILLIAM P. BRADLEY and DENNIS ZIEGLER,

Petitioners

v.

NORTH AMERICAN COMMUNICATIONS, INC.,

Respondent

PETITION FOR A WRIT OF CERTIORARI

PETITION FOR A WRIT OF CERTIORARI TO THE

SUPREME COURT OF THE UNITED STATES

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QUESTIONS PRESENTED FOR REVIEW

I. WHETHER PETITIONERS' CONSTITUTIONAL RIGHTS TO DUE PROCESS WERE VIOLATED AS A RESULT OF THE TRIAL COURT'S FAILURE TO CONDUCT A HEARING TO DETERMINE WHETHER THE INFORMATION SOUGHT BY RESPONDENT CONSTITUTED CONFIDENTIAL TRADE SECRETS AND THE POTENTIAL INJURY TO PETITIONER RESULTING FROM ITS PRO-DUCTION.

II. WHETHER PETITIONERS' CONSTITUTIONAL RIGHTS TO DUE PROCESS WERE VIOLATED AS A RESULT OF THE TRIAL COURT'S DENIAL OF PETITIONERS' MOTION FOR RECONSIDERATION ABSENT AN EVIDENTIARY HEARING.

III. WHETHER PETITIONERS' CONSTITUTIONAL RIGHTS TO DUE PROCESS WERE VIOLATED AS A RESULT OF THE TRIAL COURT'S ORDER DIRECTING THE PRODUCTION OF CONFIDENTIAL TRADE SECRETS PRIOR TO DETERMINING RESPONDENT'S ENTITLEMENT TO AN ACCOUNTING.

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OFFICIAL AND UNOFFICIAL REPORTS

OF OPINIONS

1. **North American Communications, Inc. v. U.S.A. Direct, Inc., Richard Osborne, William P. Bradley, and Dennis Ziegler**[1]

In the Court of Common Pleas of York County, Pennsylvania

No. 93-SU-01136-07

On September 7, 1993, the Honorable John C. Uhler filed an Order in the Court of Common Pleas of York County, Pennsylvania, as follows:

1. Plaintiffs' Motion to Compel the defendants to produce (a) accounts receivable ledgers; (b) tax returns; and (c) customer list is granted.

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[1] **All parties to the proceeding in the court whose judgment is sought to be reviewed are identified in the caption of the case.**

2. All other Motions are denied.

2. **North American Communications, Inc. v. U.S.A. Direct, Inc., Richard Osborne, William P. Bradley, and Dennis Ziegler**

In the Court of Common Pleas of York County, Pennsylvania

No. 93-SU-01136-07

On June 10, 1993, a Stipulation and Order of Confidentiality signed by the Honorable John C. Uhler and counsel for the Petitioner and Respondent was filed in the Court of Common Pleas of York County, Pennsylvania.

3. **North American Communications, Inc. v. U.S.A. Direct, Inc., Richard Osborne, William P. Bradley, and Dennis Ziegler**

In the Court of Common Pleas of York County, Pennsylvania

No. 93-SU-01136-07

On December 10, 1993, the Honorable John C. Uhler filed an Order in the Court of Common Pleas of York County, Pennsylvania, directing the defendant produce for the plaintiff, subject to the existing Confidentiality Agreement and Order, its:

1. account receivable ledgers;
2. tax returns; and
3. customer lists.

4. **North American Communications, Inc. v. U.S.A. Direct, Inc. and Richard Osborne, William P. Bradley, and Dennis Ziegler**

In the Superior Court of Pennsylvania

No. 2 MDM 94

By Order dated March 14, 1994, the Superior Court of Pennsylvania, PER CURIAM, denied U.S.A. Direct, Inc. and Richard Osborne, William P. Bradley, and Dennis Ziegler's Petition for Review.

5. **North American Communications, Inc. v. U.S.A. Direct, Inc. and Richard Osborne, William P. Bradley, and Dennis Ziegler**

In the Supreme Court of Pennsylvania Middle District

No. 172 Middle District, Allocatur Docket 1994

By Order dated October 21, 1994, the Supreme Court of Pennsylvania denied Petitioner's Petition for Allowance of Appeal.

STATEMENT OF JURISDICTION

By Order dated October 21, 1994, the Supreme Court of Pennsylvania denied Petitioner's Petition for Allowance of Appeal from the Order of the Superior Court of Pennsylvania denying Petitioner's Petition for Review. This Court has jurisdiction to review the Decree of the Pennsylvania Supreme Court by Writ of Certiorari pursuant to 28 U.S.C. §1257.

CONSTITUTIONAL PROVISION INVOLVED IN CASE

The constitutional provision involved in this case is Article XIV of the Amendments to the Constitution of the United States of America. Article XIV of said Amendments states as follows:

> All persons born or naturalized in the United States, and subject to the jurisdiction thereof, are citizens of the United States and of the state wherein they reside. No state shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any state deprive any person of life, liberty, or property, without due process of law;

nor deny to any person within its jurisdiction equal protection of the laws.

STATEMENT OF THE CASE

On March 15, 1993, Respondent, North American Communications, Inc., (hereinafter "NAC" or "Respondent") filed a Petition for a Preliminary Injunction and a Complaint in Equity against Petitioners, USA Direct, Inc., Richard Osborne, William P. Bradley, and Dennis Ziegler in the Court of Common Pleas of York County, Pennsylvania. The Respondent alleged that trade secret information, to include knowledge of processes and devices for the efficient processing of mass mailings, were misappropriated from NAC to USA Direct, Inc. (hereinafter "USA Direct"). NAC did not seek a temporary restraining order.

In its Complaint in Equity, NAC sought, inter alia, an Accounting of income USA Direct allegedly received through the use of NAC's trade secret

information. NAC also sought judgment for money damages for those lost profits, including the imposition of a constructive trust against Defendants for any income earned from the alleged misappropriation of trade secret information.

Petitioners filed an Answer and New Matter, denying misappropriation of any trade secret information, and further denying that NAC maintained its processes or machinery in a confidential manner so as to accord them "trade secret" status.

Following the filing of suit, the parties entered into a Stipulated Confidentiality Order to control the exchange of Discovery. Paragraph 14 of this Stipulation and Order states, "Nothing in this Stipulation and Order shall be construed or interpreted as the waiver of each party's right to object to the production of documents or information in accordance with the

privileges and objections recognized under the laws of the Commonwealth of Pennsylvania."

On March 18, 1993, NAC served its First Request for Production of Documents on Petitioners. Among other items, NAC requested USA Direct's federal and state income tax returns for fiscal years 1991 and 1992, USA Direct's client list for 1992 and 1993, as well as USA Direct's accounts receivable ledgers for 1991 through 1993. USA Direct responded to NAC's request by objecting to the production of this financial and customer information on the grounds that it constituted proprietary and confidential trade secret information, which would be employed by competitor NAC to the Petitioners' financial detriment. As of the date of filing this Petition some twenty-one (21) months after commencing the action, NAC has sought no other docu-

ments of USA Direct nor taken any depositions of any potential witnesses.

On July 2, 1993, NAC filed a Motion to Compel production of the financial information objected to by USA Direct. On July 8, 1993, Petitioners filed a Motion for a Protective Order pursuant to Pennsylvania Rule of Civil Procedure 4012(a)(9) opposing Respondent's Motion to Compel on the grounds that the financial information requested constituted confidential trade secrets, that the material was irrelevant to the issue of misappropriation of trade secrets, and that its disclosure would irreparably injure USA Direct. Concurrently, Petitioners filed a Motion to bifurcate the equity proceeding against Defendants. The bifurcation Motion sought a determination on the merits whether there was any misappropriation of trade secrets, with a second hearing, if

necessary, to determine damages if liability on the merits was established.

On September 3, 1993, York County Court of Common Pleas Judge John C. Uhler issued an Order, directing USA Direct to produce its accounts receivable ledgers, tax returns, and customer lists to NAC. In its Order, the court denied Defendants' request to bifurcate the proceeding, noting that as the requested information was "necessary and relevant," bifurcation is unnecessary.

On September 13, 1993, Defendants filed a Motion for Reconsideration of the Judge's Order of September 3, 1993. Coupled with this Motion was Defendants' request that an evidentiary hearing be held by the court in order to take evidence whether the financial information sought by Respondent did,

indeed, constitute trade secrets and whether its disclosure would irreparably injure USA Direct.

On September 28, 1993, Petitioners filed a Memorandum of Law in support of their Motion for Reconsideration. In Section II of Defendants' Memorandum of Law, Petitioners requested that if the court continued to order USA Direct to produce its financial information, the court certify its Order for Interlocutory Appeal to the Pennsylvania Superior Court pursuant to 42 Pa. C.S.A. §702(b).

On December 9, 1993, Judge Uhler issued an Order, denying Petitioners' Motion for Reconsideration, and again ordering the unrestricted production of USA Direct's financial records and customer lists. In the December 9th Order, Judge Uhler did not address in any way Defendants' request that the Discovery issue be certified for permissive

interlocutory appeal to the Superior Court. To date, no evidentiary hearing has been held by the Court of Common Pleas.

Respondent, NAC, and Petitioner, USA Direct, Inc. are competitors in the area of mass mail marketing. Respondent, NAC, operates its principal place of business in Duncansville, Pennsylvania. USA Direct operates its primary place of business in York, Pennsylvania. Both entities compete on a national level for the same customers to mass-produce high quality mail solicitations, such as political solicitations and credit card applications. In producing and processing these mass mailings for customers, both entities rely upon innovative technology and machinery, which can efficiently assemble, process, and mail thousands of pieces of mail per hour. Defendants Richard Osborne and William P. Bradley

are, respectively, the President and Vice President of USA Direct. Defendant Dennis Ziegler was formerly an independent contractor providing mechanical engineering services to NAC, who is now an employee of USA Direct. From 1985 until May 29, 1992, Dennis Ziegler, through his proprietorship, Denmar Engineering, provided NAC with mechanical engineering services in developing machinery and processes to more efficiently process NAC's mass market mailings. In particular, Denmar developed a "camera system" that facilitates the machine-matching of mail inserts with their appropriately addressed envelopes by photographing and matching small codes appearing on the envelopes and letter inserts.

Upon leaving NAC, Dennis Ziegler was hired by William P. Bradley of USA Direct as a mechanical engineer. Upon learning that Dennis Ziegler was

employed by USA Direct, NAC filed suit alleging that Dennis Ziegler had misappropriated trade secrets specifying the camera matching system to the use of USA Direct. USA Direct has pleaded that it independently developed its own camera matching system before Dennis Ziegler was hired, that the camera developed by USA Direct was in use by USA Direct for a substantial period of time prior to the hiring of Dennis Ziegler, and that its camera system is significantly different in design and operation from that employed by NAC.

In addition to bringing suit against USA Direct for misappropriation of trade secrets, NAC has pleaded causes of action against Richard Osborne, William P. Bradley, and Dennis Ziegler, individually, alleging that they intentionally sought to misappropriate NAC's proprietary trade secret info-

rmation. No non-compete agreement or confidentiality agreement was ever signed by Dennis Ziegler with NAC nor is the existence of such agreements alleged in the Complaint of NAC.

The financial information that has been ordered produced contains information which USA Direct has maintained through internal policy and security procedures in a confidential manner. The accounts receivable ledger requested by NAC contains not only the names of customers and their balances with USA Direct, but also the following internal business information:

a. The name and telephone number of the primary customer contact at each of USA Direct's clients' place of business;

b. the name of the sales representative from USA Direct who handles each customer's particular account;

c. aged customer balances, which enable one to determine whether a particular customer is desirable from a timeliness of payment viewpoint;

d. the seasonal buying patterns of customers;

e. the credit terms that have been extended to each customer, including the level of credit extended, as well as the payment method; and

f. cursory description of the particular services performed for each customer.

ARGUMENT

On October 21, 1994, the Supreme Court of Pennsylvania denied Petitioner's Petition for Allowance of Appeal from the Order of the Superior Court of Pennsylvania. By doing this, it affirmed the opinions issued by the Honorable John C. Uhler in the Court of Common Pleas of York County, Pennsylvania. The result thereof was the denial of Petitioner's Fourteenth Amendment right to due process, as Petitioners are being ordered to irrevocably surrender the property rights inherent in trade secret information without benefit of a hearing.

QUESTIONS OF LAW

I. **WHETHER PETITIONERS' CONSTITUTIONAL RIGHTS TO DUE PROCESS WERE VIOLATED AS A RESULT OF THE TRIAL COURT'S FAILURE TO CONDUCT A HEARING TO DETERMINE (1) WHETHER THE INFORMATION SOUGHT BY RESPONDENT CONSTITUTED CONFIDENTIAL TRADE SECRETS; AND (2) THE POTENTIAL INJURY TO PETITIONER RESULTING FROM ITS PRODUCTION.**

The law in the Commonwealth of Pennsylvania places customer lists and receivables ledgers within the class of information that may be protected as trade secrets. Van Products Co. v. General Welding & Fabricating Co., 419 Pa. 248, 213 A.2d 769, 776 (Pa. 1965); Den-Tal-Ez, Inc. v. Siemans Capital

Corp., 389 Pa. Super. 219, 251, 566, A.2d 1214 (1989). A three-part test should be employed in determining whether potential trade secret information should be turned over during Discovery. First, the court must determine if the information sought is indeed a trade secret. Van Products at 268. Obviously, unless a preliminary determination is made as to whether a trade secret exists, the appropriateness of a protective order under Pa. R.C.P. 4012 (a)(9) cannot be determined. Second, the court must determine if the trade secret information sought is relevant to issues in dispute in the case. Pa. R.C.P. 4003.1. Third, and perhaps most importantly, the court must weigh the injury that will be done to the producing party in turning over its trade secret information in contrast to the injury that will be done to the party seeking the Discovery if it is not permitted

this information. See, Coca-Cola Bottling Co. v. Coca-Cola Co., 107 F.R.D. 288, 292 (D. Del. 1985) (relied upon by Judge Uhler in his Opinion and Order of September 3, 1993).

In the present case, Petitioners contend that the trial court violated their due process rights as a result of its failure to conduct an evidentiary hearing prior to ordering the production of USA Direct's confidential trade secrets. This Court has stated that whether trial is federal or state, the concern of due process is with the fair administration of justice. Mayberry v. Pennsylvania, 400 U.S. 455, 272 L.Ed.2d 532, 540, 91 S.Ct. 499 (1971). Due process is a flexible concept that varies with the particular situation. To determine what procedural protections the Constitution requires in a particular case, this Court weighs several factors:

> First, the private interest that will be affected by the official action; second, the risk of an erroneous deprivation of such interest through the procedures used, and the probable value, if any, of additional or substitute procedural safeguards; and finally, the Government's interest, including the function involved and the fiscal and administrative burdens that the additional or substitute procedural requirement would entail.

Zinermon v. Burch, 494 U.S. 113, 108 L.Ed.2d 100, 115, 110 S.Ct. 975 (1990)(citing, Mathews v. Eldridge, 424 U.S. 319, 335, 47 L.Ed.2d 18, 96 S.Ct. 893 (1976)). "Applying this test, the court usually has held the Constitution requires some kind of a hearing

before the state deprives a person of liberty or property. Id., at 115, 494 U.S. 113, 110 S.Ct. 975 (emphasis in original)(citations omitted).

Weighing the factors identified by this Court results in the conclusion that the trial court's order refusing Petitioner's request for an evidentiary hearing was a denial of their due process rights. First, the private interest that will be affected is USA Direct's right to maintain its trade secrets confidential. The disclosure of such highly sensitive material to a direct competitor will result in the loss of any competitive advantage USA Direct maintains over Respondent. Such a result lends credence to USA Direct's belief that Respondent filed the instant frivolous law suit for the sole purpose of damaging USA Direct's market share.

Second, the risk of an erroneous deprivation of such interest through the procedures prescribed by the trial court are inevitable. Without the benefit of an evidentiary hearing, the trial court directed USA Direct to produce its confidential trade secrets. Once this information reaches Respondent, the harm of an erroneous deprivation cannot be undone. The simple procedural safeguards requested by Petitioners were that (1) an evidentiary hearing be conducted to determine if, in fact, such information should be considered confidential trade secrets, and/or (2) bifurcate the proceeding requiring Respondent to first prove whether trade secrets were misappropriated. The alleged confidential financial information is only relevant when and if Respondent is able to prove a misappropriation. Therefore, if Respondent is unable to prove a misappropriation, the production of

financial information would not be necessary. The value and ease of implementation of these two procedural safeguards was not considered by the trial court.

Finally, the trial court's interest in denying Petitioners' request is minimal. The only additional burden placed on the trial court would have been the administration of one evidentiary hearing. As a result of this hearing, the court could have made an informed and just decision.

The application of the Mathews test set forth above is evidence that the Constitution required an evidentiary hearing prior to the trial judge summarily ordering the production of Petitioners' confidential trade secrets. Therefore, the trial court's actions in this case were a violation of Petitioners' due process rights.

A substantial error resulted in the instant case as a result of the Court of Common Pleas limiting its analysis only to the relevancy prong of the Coca-Cola three-part test. As the Pennsylvania Supreme Court noted in Van Products, the first step in any trade secret litigation is to determine if a trade secret even exists. Id. at 268. In the instant case, the trial court denied Petitioners the constitutional right to due process and committed error by: (1) failing to make any determination as to whether Defendants' financial and customer information were trade secrets before ordering it produced; and (2) failing to determine if Respondent had any "trade secrets" at all before compelling Petitioner to produce its own proprietary information. Finally, its most egregious error resulted in its denial of Petitioners' request for an evidentiary hearing to present evidence that its confidential

financial and customer information were indeed trade secrets.

In its Motion for Reconsideration of the court's Order compelling production, the Petitioners presented the court with the affidavit of USA Direct President, Richard Osborne, in which he presented the court with facts regarding the confidential nature in which USA Direct maintained its customer lists and financial information.[2] Despite this affidavit being the only evidence of record regarding the Petitioners' trade secret information, the court denied the Motion for Reconsideration.

The court further erred by failing to perform any analysis consistent with the Coca-Cola case by

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[2] This affidavit was intended to show the court that a genuine factual and legal issue existed that Defendant's client list and financial information constituted trade secrets, necessitating a factual hearing. The affidavit was not intended to be a substitute for such a hearing.

balancing the injuries to the respective parties by compelling or refusing production of the information sought. The court noted in passing in its September 3, 1993 opinion, that the court should balance the injuries that will occur to the respective parties, but then failed at any point in its opinion or order to do so. Such a weighing of injuries was impossible, of course, because no evidentiary record had been developed. The court simply noted that such a test was appropriate, and then ordered production based upon an empty evidentiary record. As noted previously, the court then subsequently denied Petitioners' request for such an evidentiary hearing.

The existence or not of a trade secret is a substantive legal issue upon which there can be reasonable disagreement by the courts. The determination whether an item is accorded trade secret

status or not is a question of law, rather than a factual finding. Van Products. By failing to address in any way whether USA Direct's income tax returns for fiscal years 1991 and 1992, client lists for 1992 and 1993, and accounts receivable ledgers for 1991 through 1993 are trade secret information prior to ordering its production, the Court of Common Pleas erred to the extreme prejudice of the Petitioners and violated their due process rights. The instant Petition should be granted in order that the Court of Common Pleas of York County, Pennsylvania be directed to address the issue whether the Petitioners' financial information should be accorded trade secret status, and weigh the respective harm to the parties in granting or denying production. In the alternative, as no evidentiary record has yet been created, the Petition should be granted so that the Court of

Common Pleas of York County, Pennsylvania, may be ordered to conduct an evidentiary hearing to determine: (1) whether the financial information sought constitutes a trade secret, and (2) the harm to the parties upon ruling upon the Motion to Compel. Each of these issues is a controlling question of law to which there is substantial ground for difference of opinion. The resolution of this issue will materially advance the ultimate determination of the matter, in that if the court determines that the financial information should not be produced, the only issues remaining will be to determine whether USA Direct misappropriated any trade secret information from Respondent. This is the central issue of this litigation. The financial information sought by the Respondent, while relevant to the issue of damages, and having only the most peripheral relevance to issues of

liability, will only delay and obfuscate a ruling upon the core issue, which is whether a trade secret was ever misappropriated from Respondent. If the court determines that no trade secrets exist at Respondent, or that none were misappropriated, this case will be over and issues regarding the production of financial information will be rendered moot.

II. WHETHER PETITIONERS' CONSTITUTIONAL RIGHTS TO DUE PROCESS WERE VIOLATED AS A RESULT OF THE TRIAL COURT'S DENIAL OF PETITIONERS' MOTION FOR RECONSIDERATION ABSENT AN EVIDENTIARY HEARING.

In accordance with Coca-Cola and Van Products, a court must weigh the relative injury to each party in ruling whether trade secret information would be produced. The obvious question that arises in the context of the instant case is, how did the court perform any weighing without a hearing to create an evidentiary record? In the instant action, following the court's initial Order compelling USA Direct to produce its financial information, the Petitioners filed a Motion for Reconsideration requesting an evidentiary hearing in order to establish an evidentiary record. In its

Motion for Reconsideration, the Petitioners included the affidavit of USA Direct President, Richard Osborne, in which he indicated the obvious harm that would occur to USA Direct if it was required to produce its financial information. However, this affidavit was never considered by the court on the merits, because it denied Petitioners' Motion for Reconsideration. Therefore, there was absolutely no evidence of record before the court when it Ordered USA Direct to produce its financial information. This is error on its face, as both Coca-Cola and Van Products call upon the court to determine, as an initial step, whether a trade secret exists and what the respective injuries to the parties will be in producing this information. It is readily apparent from the fact that no evidentiary record existed at the time the court ruled upon USA Direct's Motion for a Protective Order

and upon Petitioners' Request for Reconsideration, that no such weighing of the respective injuries could have occurred.

As no weighing of the potential injury to USA Direct in producing its trade secret information occurred, and as it is apparent that the court did not make any determination whether the Discovery sought was a trade secret, there exists an unresolved legal issue upon which substantial ground exists for a difference of opinion. Further, the determination of this issue will materially advance determination of this matter, by properly bifurcating this proceeding into two components; the first of which will determine whether trade secrets existed for either party, and whether these trade secrets were misappropriated. The second portion of the proceeding, if necessary, will determine the production of financial information. The

granting of this petition will also avoid irreversible injury to the Petitioners if it is compelled to produce its financial information at this early stage of the litigation, and it is later determined by the court that no entitlement to an Accounting exists.

The granting of the Petition will also enable the Court to address the applicability of the Delaware Coca-Cola case to the law of the Commonwealth of Pennsylvania. Although Pennsylvania trade secret case law supports the principle that the weighing of harm between the parties should be made prior to requiring the production of trade secret information, the appellate courts have not expressly ruled upon this issue. The instant action provides the Court with an avenue to directly address what legal standards must be applied before Ordering the production of trade secrets in Discovery.

Respondents recognize that trade secret status is not an absolute protection against Discovery in litigation. However, of what use is the concept "trade secret" if all a competitor need do in order to obtain these secrets is pay $55 to the prothonotary (clerk of the civil court) to initiate a frivolous lawsuit and then require the other party who is a competitor to produce confidential financial information through discovery before any evidence is taken? Before denying a party the important property rights protected by trade secret status, a court must, at a minimum, take some evidence to measure the potential damage caused by disclosure and to determine if trade secrets exist. Otherwise, the concept of "trade secret" is meaningless, as it provides no protection to the possessor of the secrets once any litigation is initiated. The denial of any evidentiary hearing to determine trade secret

status prior to compelling production denies the party claiming trade secret protection an opportunity to be heard, and thus denies due process of law under the Fourteenth Amendment.

III. WHETHER PETITIONERS' CONSTITUTIONAL RIGHTS TO DUE PROCESS WERE VIOLATED AS A RESULT OF THE TRIAL COURT'S ORDER DIRECTING THE PRODUCTION OF CONFIDENTIAL TRADE SECRETS PRIOR TO DETERMINING RESPONDENT'S ENTITLEMENT TO AN ACCOUNTING.

In its request for relief in equity, respondent seeks an Accounting. Such an Accounting would seek to determine what income, if any, Petitioner, USA Direct, has received through the alleged misappropriation of technology and processes from Respondent, NAC. The court's Order compelling USA Direct to reveal its customer lists, tax returns, and trade receivables to NAC prior to any evidentiary hearing on the merits, in effect grants the Respondent

the Accounting it seeks, prior to an adjudication on the merits. This issue has been previously litigated before the Superior Court of Pennsylvania, with the court opining that where the entitlement to an Accounting is in dispute, requiring the Defendant to produce its financial records in Discovery is improper. Gibson v. Botti, 334 Pa. Super. 275, 482 A.2d 1332, 1335 (1984). See also, Frank v. Light Coach Company, Inc., 72 D. & C. 2d 122 (Lebanon C.C.P. 1976). (In an equitable action for an Accounting, before becoming entitled to prehearing production of Defendant's business records, Respondent must first show that he is in fact entitled to an Accounting); Simon v. Simon, 4 D. & C. 3d 176 (Phila. C.C.P. 1978). (Discovery of business records in an action for an Accounting, in effect, grants a partial Accounting prior to adjudication of entitlement).

By The York County Court of Common Pleas granting the motion to compel Petitioner's financial information without developing an evidentiary record, the court has improperly granted the Respondent's request for an Accounting under Pa. R.C.P. 1530 without taking any evidence to establish entitlement thereto. While the Superior Court recognized in Gibson that the production of such financial records may be proper where "It is undisputed that the complaining party is entitled to some percentage or other 'sum certain'",[3] in the instant action the entitlement to any sum is highly contested and speculative. In the instant case, Petitioners dispute that any duty to account exists, because they never misappropriated any trade secrets or processes from Respondent. As entitlement to an Accounting pursuant to Pa. R.C.P.

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[3] Gibson, at 1335, citing Damirgian v. Damirgian, 262 Pa. Super. 463, 396 A.2d 1263 (1978).

1530 is disputed, factually, granting an Order compelling production upon an empty evidentiary record is an abuse of discretion and a violation of Petitioners' due process rights.

The court in Frank v. Light Coach Company, supra, found that there is no prejudice to the party initially denied production of the opposing party's financial information in an action for an Accounting, because he will ultimately obtain the information, if he shows entitlement to it on the merits. Id. at 123. However, if the moving party fails to show an entitlement to the information, an order prematurely requiring its production operates to the irreversible prejudice of the producing party. As the court noted in Frank, "Ultimately, it might be shown Respondent has no right to an Accounting--a hollow, meaningless picture if Respondent meanwhile obtains through

Discovery what he is later denied in equity." Id. at 123, 124. The court further noted, "[Plaintiff] does not need an Accounting to prove he is entitled to one." Id at 123. In Simon v. Simon, supra, an action in equity based upon a forged instrument, the Philadelphia County Court of Common Pleas reached this same result in denying Plaintiff production of the Defendant's tax returns and other privileged business information where an Accounting was part of the relief sought. The court, relying upon Pa. R.C.P. 1530, held:

> If Discovery is permitted which gives plaintiff the relief he seeks before he shows that he is entitled to it, the Accounting demand will be, in practical terms, moot when the matter is to be adjudicated. Plaintiff will have had the

benefit of an Accounting without showing entitlement to it.

Simon at 178-179.

Recognizing the irreversible damage of such premature production, the court further declared; "Defendants will be prejudiced, for in the event that an Accounting is denied, plaintiff will have already received their otherwise privileged private financial information." Id at 179.

In the instant case, Petitioners sought to avoid this exact injustice, by filing a Motion requesting that the court grant a bifurcated proceeding in which the central issue of whether any trade secret had been misappropriated would first be litigated. The Court of Common Pleas denied the request for a bifurcated proceeding in its September 3, 1993 Opinion and Order on the basis that the information sought in

Discovery was "relevant." The trial court ruled that because the financial information requested had some probative value to the issues being litigated, that it must be produced. The court rejected Petitioners' arguments that the production of the requested records was premature when absolutely no evidence pertaining to the Respondent's allegations of trade secret misappropriation had been presented. Under Frank and Simon, this was an abuse of discretion, and under the provisions of Article XIV of the Amendments to the Constitution of the United States of America, a violation of the rights of USA Direct to an evidentiary due process hearing, making it appropriate for this Honorable Court to grant Defendants' Petition for Review.

WHEREFORE, Petitioners, U.S.A. Direct, Inc., Richard Osborne, William P. Bradley, and Dennis Ziegler, respectfully request that this Honorable Court grant their Petition for Writ of Certiorari to the Supreme Court of the United States.

Respectfully submitted,

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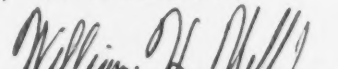
BY: 
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Supreme Court
ID #07414

Attorney for Petitioners

Supreme Court, U.S.
FILED

(2) 941116 DEC 12 1994

OFFICE OF THE CLERK

No. _____

THE SUPREME COURT OF THE UNITED STATES

OCTOBER TERM 1994

U.S.A. DIRECT, INC., RICHARD OSBORNE,

WILLIAM P. BRADLEY and DENNIS ZIEGLER,

Petitioners

v.

NORTH AMERICAN COMMUNICATIONS, INC.,

Respondent

APPENDIX TO PETITION FOR A WRIT OF CERTIORARI

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IN THE SUPREME COURT OF PENNSYLVANIA

MIDDLE DISTRICT

NORTH AMERICAN	:	No. 172 Middle
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U.S.A. DIRECT,	:	Allowance of
INC., et al.	:	of Appeal from the
Petitioners	:	Superior Court

ORDER

PER CURIAM

AND NOW, this 21st say of October, 1994, the Petition for Allowance of Appeal is hereby denied.

Mr. Justice Montemuro is sitting by designation.

A TRUE AND CORRECT COPY

ATTEST: 10/25/94

_____

JOAN L. STEHULAK, ESQUIRE

DEPUTY PROTHONOTARY

NORTH AMERICAN	:	IN THE SUPERIOR
COMMUNICATIONS, INC.	:	COURT OF
	:	PENNSYLVANIA
v.	:	
	:	
USA DIRECT, INC. AND	:	
RICHARD OSBORNE,	:	
WILLIAM P. BRADLEY	:	
AND DENNIS ZEIGLER	:	No. 2 MDM 1994
		(C.P. York County
		No. 93-SU-01136-07)

ORDER

The Court hereby denies the petition for review.

PER CURIAM

DATE: March 14, 1994

IN THE COURT OF COMMON PLEAS OF YORK

COUNTY, PENNSYLVANIA

NORTH AMERICAN : No. 93-SU-01136-07

COMMUNICATIONS, INC.:

vs. :

U.S.A. DIRECT, INC., :

RICHARD OSBORNE, :

WILLIAM P. BRADLEY :

AND DENNIS ZEIGLER : In Equity

APPEARANCES:

LILLIAN M. MORGAN, Esquire

for the plaintiffs

CRAIG T. TREBILCOCK, Esquire

for the defendants

ORDER

AND NOW, TO WIT, this 3rd day of September, 1993, the Court orders that:

1. Plaintiffs' Motion to Compel the defendants to produce (a) accounts receivable ledgers; (b) tax returns; and (c) customer lists is granted.

2. All other Motions are denied.

BY THE COURT,

_____

JOHN C. UHLER

Judge

IN THE COURT OF COMMON PLEAS OF YORK

COUNTY, PENNSYLVANIA

NORTH AMERICAN : No. 93-SU-01136-07

COMMUNICATIONS, INC.:

vs. :

U.S.A. DIRECT, INC., :

RICHARD OSBORNE, :

WILLIAM P. BRADLEY :

AND DENNIS ZEIGLER : In Equity

APPEARANCES:

LILLIAN M. MORGAN, Esquire

for the plaintiffs

CRAIG T. TREBILCOCK, Esquire

for the defendants

OPINION

Before the Court is plaintiff's North American

Communications, Inc. (NAC) Motion to Compel defendants, U.S.A. Direct, Inc. (U.S.A.) to produce: 1) the accounts receivable ledgers; 2) tax returns; and 3) customer lists. Defendants oppose plaintiffs' Motion, claiming the information requested is trade secret information, and instead, seek a positive order of the requested documents.

Rule 4009, regarding production of documents, provides in pertinent part:

> (a) Any party may serve on any other party a request
>
> (1) to produce and permit the party making the request, or someone acting on his behalf, to inspect and copy and designated documents (including writings, drawings, graphs, charts, photographs, phonorecords, and other compilations of data from which information

can be obtained, translated, if necessary, by the respondent through detection devices into reasonably usable form), or to inspect and copy, test or sample any tangible things which constitute or contain matters within the scope of rules 4003.1 through 4003.5 inclusive and which are in the possession, custody or control of the party upon whom the request is served;

Pennsylvania R.C.P., Rule 4009. However, Rule 4012, regarding protective orders, provides in pertinent part:

(a) Upon motion by a party or by the person from whom discovery or deposition is sought, and for good cause shown, the court may make any order which justice requires to protect a party or person from unreasonable annoyance, embarrassment, oppression,

burden or expense, including one or more of the following:

(9) that a trade secret or other confidential research, development or commercial information shall not be disclosed or be disclosed only in a designated way.

Pennsylvania R.C.P., Rule 4012.

Plaintiffs contend that the information requested is relevant and necessary because NAC must prove its claims and it is unable to do so without the requested discovery information. The defendants contend that the information requested is not at all connected with the issue of whether defendants misappropriated the plaintiffs' technology, and additionally, they contend that the information is trade secret information; thus, the Court should deny the plaintiffs' Motion.

The United States Delaware District Court stated:

> In order to resist discovery of a trade secret, a party must first demonstrate by competent evidence that the information sought through discovery is a trade secret and that disclosure of the secret might be harmful. If this showing is made, the burden shifts to the party seeking discovery to establish that the disclosure of trade secrets is relevant and necessary to the action.

Coca-Cola Bottling Co. v. Coca Cola Co., 107 F.R.D. 288, 292 (D. Delaware 1985). The Pennsylvania Supreme Court stated:

> [A] trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business, and which gives him an

opportunity to obtain an advantage over competitors who do not know or use it.

Van Prod. Co. v. General Welding and Fabricating Co., 213 A.2d 769, 775 (Pa. 1965). "Once relevancy and need have been established [by the party seeking discovery], the Court must balance the need for the information against the injury that would ensure if disclosure is ordered." Coca-Cola, supra. at 293. "Whether disclosures is to be allowed and, if protection is to be afforded, the form of such protection, are matters to be determined according to the discretion of the court." Oral Surgery, Inc. v. Dinello, 611 A.2d 232, 236 (Pa. Super. 1992). See also, Coca-Cola, supra.

Plaintiff alleges that the information is relevant because it will show additional customers and increases in business after defendant, Ziegler, joined

U.S.A. Additionally, NAC alleges that these increases are attributable to the misappropriation of its trade secrets. Finally, the plaintiff alleges that the information is necessary because in fairness, plaintiff cannot be required to prove its case without full disclosure of relevant information. Defendant alleges that plaintiff has not yet produced any information indicating that a trade secret was misappropriated and that plaintiff has not shown that such information is relevant and necessary to this action.

Generally, discovery is liberally permitted in this Commonwealth. Rule 4003.1 provides in pertinent part:

> (a) Subject to the provisions of Rules 4003.2 to 4003.5 inclusive and Rule 4011, a party may obtain discovery regarding any matter, not privileged,

which is relevant to the subject matter involved in the pending action, whether it relates to the claim or defense of the party seeking discovery or to the claim or defense of any other party, including the existence, description, nature, content, custody, condition and location of any books, documents, or other tangible things, and the identity and location of persons having knowledge of any discoverable matter.

(b) It is not ground for objection that the information sought will be inadmissable at the trial if the information sought appears reasonably calculated to lead to the discovery of admissible evidence.

Pa. R.C.P., Rule 4003.1. In light of Rule 4003.1, and

due to the fact that this Court finds that plaintiff has shown that the information is relevant and necessary and may lead to additional evidence, this Court will allow plaintiff to have access to defendant's ledgers, tax returns, and customer lists.

Also, it is important to note, in Dinello, the Pennsylvania Superior Court found that the doctor's patient lists were not trade secrets. 611 A.2d at 236.

In the event the Court found the information relevant, the defendants requested that this Court bifurcate the litigation and the information not be made available to the plaintiff until liability is established. The defendants additionally requested that the plaintiff be ordered to produce the same information to the defendants.

As stated previously, since this Court finds the requested information in necessary and relevant,

there is no need to wait until liability is established to allow the plaintiff access.

An appropriate Order shall be entered.

BY THE COURT,

_____

JOHN C. UHLER

Judge

Dated: September 3, 1993

IN THE COURT OF COMMON PLEAS OF YORK

COUNTY, PENNSYLVANIA

NORTH AMERICAN : No. 93-SU-01136-07

COMMUNICATIONS, INC.:

vs. :

U.S.A. DIRECT, INC., :

RICHARD OSBORNE, :

WILLIAM P. BRADLEY :

AND DENNIS ZEIGLER : In Equity

APPEARANCES:

LILLIAN M. MORGAN, Esquire

for the plaintiffs

CRAIG T. TREBILCOCK, Esquire

for the defendants

ORDER

Before the Court is defendant's, U.S.A. Direct,

Motion for Reconsideration and Request for Evidentiary Hearing. The defendant seeks reconsideration of this Court's Order of September 3, 1993, which granted plaintiff's, NAC, Motion to Compel the defendants to produce: (a) accounts receivable ledger; (b) tax returns; and (c) customer lists. Defendant, while failing to present this motion in Current Business session, filed this Motion in the Prothonotary's office. Both parties filed briefs. As per defense counsel's letter dated October 20, 1993, defendant consents to this issue being decided on the briefs submitted.

The briefs submitted by both counsel have been carefully reviewed. This Court outlined in its Opinion the reasoning for granting the plaintiff's original Motion to Compel Production of Documents. This Court has reviewed the briefs submitted by both

counsel, as well as the original Order and hereby denies defendant's Motion for Reconsideration.

Accordingly, the Court directs that defendant produce for the plaintiff, subject to the existing confidentiality agreement and Order, its:

1. Account receivable ledgers
2. Tax returns
3. Customer lists.

BY THE COURT,

_____

JOHN C. UHLER

Judge

Dated: December 9, 1993

NORTH AMERICAN COMMUNICATIONS, INC.	)	IN THE COURT OF COMMON PLEAS OF
Plaintiff,	)	YORK COUNTY,
	)	PENNSYLVANIA
vs.	)	CIVIL ACTION - LAW
U.S.A. DIRECT, INC.,	)	
RICHARD OSBORNE,	)	NO. 93-SU-01136-07
WILLIAM P. BRADLEY	)	
AND DENNIS ZIEGLER	)	IN EQUITY
Defendants.	)	

STIPULATION AND ORDER

OF CONFIDENTIALITY

WHEREAS, the parties in the above-captioned action desire to reserve the confidentiality of documents and information that they propose to produce pursuant to discovery in this proceeding;

IT IS HEREBY STIPULATED AND AGREED, by and among the parties and their respective counsel for the purpose of this proceeding, as follows:

1. All confidential documents and any information they contain, any other confidential information made available during the course of discovery, and any testimony in this action relating to such documents or information shall be designated and deemed confidential under applicable law ("Confidential Matter").

2. (a) "Confidential Matter" as used herein shall be designated by the producing party as follows:

(i) documents and things shall be marked on their face or otherwise labelled with the legend "CONFIDENTIAL";

(ii) if contained in a response to an Interrogatory, the information shall be designated

"CONFIDENTIAL" by a legend as described above, or the receiving party otherwise shall be advised in writing previous to or simultaneous with the service of the interrogatory answer of such confidential status.

(iii) if contained in deposition, trial or other testimony, the transcript, or portions thereof, may be designated as containing Confidential Matter by so notifying the other parties on the record, or in writing, within thirty (30) days of receipt of the transcript; except, however, this designation is without prejudice to any party's right to contest such designation of confidentiality with the Court. Pending such designation, all depositions shall be treated as containing Confidential Matter and shall not be disclosed or discussed with any persons other than those in attendance during the taking of the testimony regarding Confidential Matter pursuant to paragraph

11 herein.

(b) In the event that any party disagrees with the designation by any other party of any information as Confidential Matter, then the parties will try first to resolve such dispute on an informal basis at least five (5) business days before presenting the dispute to the Court.

3. In the absence of written permission from the producing party or further order by the Court, any Confidential Matter produced in accordance with this Stipulation and Order of Confidentiality shall not be disclosed to any person other than: (i) outside counsel for parties to this litigation, including necessary paralegal, secretarial and clerical personnel employed by counsel's law firm assisting such counsel; (ii) subject to the provisions of paragraph 5 below, experts and consultants, and their staff, whose

assistance is enlisted in connection with this litigation; (iii) subject to the provisions of paragraph 5 below, employees, officers and directors of the non-producing party whose cooperation or assistance is necessary to the prosecution or defense of this action; (iv) subject to the provisions of paragraph 5 below, deponents, noticed by the parties, whose testimony is necessary to the prosecution or defense of this action, except that this provision will not apply to the actual conduct of a deposition (the transcript of which may be deemed "Confidential Matter" pursuant to paragraph 2(a)(iii) above); (v) subject to the provisions of paragraph 5 below, all individuals with knowledge of the events and transactions that constitute the subject matter of this litigation; (vi) qualified persons recording testimony involving such documents or information (e.g., court reporters) and

necessary stenographic and clerical assistants thereof; and (vii) the Court, including necessary secretarial and clerical personnel assisting the Court.

4. Prior to revealing any Confidential Matter to an expert witness, as specified in paragraph 3 (ii) or paragraph 7 herein, a party seeking to consult with the expert shall provide five (5) business days written notice to the producing party of its intent to reveal the Confidential Matter to the expert, including the following: (1) identification of the Confidential Matter that will be revealed; (2) if not previously disclosed, the identity and address of the expert to whom the Confidential Matter will be revealed, along with a recent curriculum vitae, describing all prior employment and experience of such expert, and a statement whether the expert has been employed by or conducted business with any party to this case.

Upon receipt of such notice, counsel for the producing party shall have five (5) business days in which to seek relief from the court to prevent the disclosure to the expert, upon good cause shown. If no objection is made, the party seeking to consult with the expert witness may reveal the Confidential Matter to that expert for the purposes of this litigation. Failure by the producing party to object to the disclosure of the information to the receiving party's expert witness will not constitute a waiver of confidentiality or any other provision of this Agreement limited the access of other individuals or entities to the Confidential Matter.

5. Confidential Matter produced in accordance with this Stipulation and Order shall not be made available to any person designated in paragraph 3 (ii), (iii), (iv), and (v) until he or she has executed an Undertaking in the form of Appendix 1 to this Order (i)

to be bound by the terms of this Order and the terms of the Undertaking; (ii) not to reveal such Confidential Matter to anyone other than persons authorized in paragraph 3; and (iii) to use such Confidential Matter solely for purposes of this litigation.

6. All Confidential Matter produced in accordance with the provisions of paragraph 2 shall be used solely for purposes of this litigation. Use for purposes of this litigation shall include use in testimony and as exhibits at trial, hearings or depositions, or in connection with motions or witness preparation, subject to the restrictions of this Stipulation and Order.

7. Each party may submit to the Court for in camera inspection any Confidential Matter, prior to production to the opposing party or parties, deemed highly sensitive and the disclosure of which would

cause extreme and irreparable competitive harm to the producing party. Any Confidential Matter submitted for such in camera inspection shall be identified to opposing counsel by author or creator, date, and general description of this subject matter. Counsel shall be permitted to discuss this identification of such Confidential Matter with one expert witness in order to determine the validity of the assertion of the privilege and whether such Confidential Matter is relevant and necessary to the prosecution or defense of the claims herein. In submitting information for in camera inspection, the parties may submit affidavits containing Confidential Matter, and such affidavits, upon notice to the other party, shall be filed under seal with the Court and disclosure shall be limited to counsel and one expert witness, subject to paragraph 4 herein. The Court

shall determine whether or to what extent (e.g., limiting the persons indicated in paragraph 4 above to whom disclosure shall be made) the Confidential Matter should be produced.

8. All documents and information subject to confidential treatment in accordance with the terms of this Stipulation and Order that are filed with the Court, and any pleadings, motions or other papers filed with the Court disclosing any such confidential documents or information, shall be filed under seal until further order of the Court. Where possible, only confidential portions of filings with the Court shall be filed under seal. Nothing in this paragraph is to be interpreted to prevent the use of Confidential Matter at trial, subject to such rulings as may be made by the Court.

9. The Court shall have the power to interpret and enforce this Agreement and the parties any

persons obtaining access to Confidential Matter pursuant to this Stipulation and Order shall remain subject to the jurisdiction of the Court for purposes thereof, including the imposition of sanctions and Order. In the case of any ambiguity in this Stipulation and Order, it shall be construed so as to assist counsel in discharging their duties to protect the interests of confidentiality of the parties and not construed so as to waive any evidentiary privileges of their respective clients.

10. This Stipulation and Order of Confidentiality shall continue to be binding throughout the pretrial stages of this litigation and until such a time, if appropriate, as a new Stipulation and Order is entered governing confidentiality at trial. Unless otherwise specified by future order, this Stipulation and Order will continue in effect during any appeal

following this litigation.

11. Any persons present at any deposition in this matter in which Confidential Matters are the subject of questioning shall be limited to those persons identified in paragraph 3 above; except the parties may further agree or move the Court to limit those persons who may be present. Other persons, not identified in paragraph 3 above, may be present only upon stipulation of the parties or upon order of the Court upon good cause shown.

12. Within sixty (60) days of the conclusion of the above captioned action (including any appeal), at the request and expense of the party which has furnished the same, all written Confidential Matter and copies thereof shall be returned to such party, subject to any subsequent order or judgment of this Court that may modify or supersede this Stipulation and Order.

13. This Stipulation and Order of Confidentiality shall not apply to any information contained in the Confidential Matter which is now, or later may be, publicly available or a matter of public record except where the information is made public through violation of this Stipulation and Order of Confidentiality.

14. Nothing in this Stipulation and Order shall be construed or interpreted as a waiver of each party's right to object to the production of documents or information in accordance with the privileges and objections recognized under the laws of the Commonwealth of Pennsylvania.

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Attorneys for Plaintiff

SO ORDERED:

Judge Presiding

Dated: June 10, 1993

Supreme Court, U.S.
FILED
JAN 26 1995
CLERK OF THE CLERK

(3)

No. 94-1116

IN THE
SUPREME COURT OF THE UNITED STATES
OCTOBER TERM 1994

U.S.A. DIRECT, INC., RICHARD OSBORNE, WILLIAM P. BRADLEY and DENNIS ZIEGLER,

Petitioners,

v.

NORTH AMERICAN COMMUNICATIONS, INC.

Respondent.

On Petition for Writ of Certiorari
to the Supreme Court of the
Commonwealth of Pennsylvania

BRIEF IN OPPOSITION

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BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

SUMMARY OF THE ARGUMENT

Petitioners seek review of a simple discovery issue, arguing here for the first time that the failure of the Pennsylvania state trial court to conduct an evidentiary hearing before granting a motion to compel production of relevant documents constitutes a deprivation of Petitioners' Fourteenth Amendment property rights. Petitioners' arguments are legally and factually defective for the following reasons:

First, the Court is without jurisdiction to hear this matter since Petitioners impermissibly raise the alleged violation of their Fourteenth Amendment rights for the first time here in direct contravention of Rule 14.1.(h) of the Rules of the Supreme Court and relevant case authority.

Second, Petitioners jurisdictional allegation under 28 U.S.C. § 1257 is faulty, for the trial court's order granting Respondent's[1] motion to compel is not final and appealable.

---

[1] In accordance with Rule 29.2 of the Rules of the Supreme Court, Respondent North American Communications, Inc. has no parent company, and its only subsidiary is a company called NAC West, Inc.

Third, Petitioners have not suffered any deprivation of their property because the documents ordered to be produced are protected by a Stipulation and Order of Confidentiality limiting their use only to the pending litigation. Petitioners' argument is premised on unsupported speculation that Respondent may violate the protective order at some time in the future, a position which presents no justiciable controversy ripe for review.

Fourth, Petitioners have failed to establish that they are entitled to an evidentiary hearing under Pennsylvania law in connection with Respondent's motion to compel.

ARGUMENT

I. Petitioners Improperly Raise The Alleged Fourteenth Amendment Violation For The First Time Here.

This Court's rules clearly provide that a review on writ of certiorari is not a matter of right, but rather is committed to the discretion of the Court and such review will only be granted where there are special and important reasons therefor. *See* Sup. Ct. R. 10. Further, this Court's rules also provide that a petition for a writ of certiorari "shall also specify the stage in the proceedings, both in the court of first instance and in the appellate courts, at which the federal questions

sought to be reviewed were raised." Sup. Ct. R. 14.1.(h).

Here, Petitioner has advanced no important reasons for this Court to review the decision of the Court of Common Pleas of York County (Pennsylvania) ("Pennsylvania State Court") which granted Respondent's motion to compel. Indeed, Petitioners raise issues wholly based upon the law of Pennsylvania grounded exclusively on the discretion of the trial court to order discovery. Petitioners' claims are not encompassed by Rule 10 of this Court's rules, nor is there, as shown below, a legitimate federal issue necessitating review.

Nonetheless, Petitioners attempt to construct an important reason by arguing, for the first time, that the Pennsylvania State Court somehow violated their Fourteenth Amendment rights by deciding that the information Respondent sought in discovery was necessary and relevant to the prosecution of Respondent's action. Notwithstanding that such a simple dispute based upon state law, and a trial court's discretion, does not merit this Court's attention, Petitioners have violated this Court's Rule 14.1.(h) and a fundamental precept of appellate review by arguing an issue that has never before been decided by, much less presented to, a lower court at any level. It is well established that an issue, upon which the lower courts have had no opportunity to pass upon, cannot be advanced for the first time in a writ for certiorari. *See, e.g., Monks v. New Jersey,*

398 U.S. 71, 72, 90 S.Ct. 1563, 1563-64 (1970); *Street v. New York*, 394 U.S. 576, 582, 89 S.Ct. 1354, 1360 (1969) (where "the highest state court has failed to pass upon a federal question, it will be assumed that the omission was due to want of proper presentation in the state courts") (citations omitted). Petitioners' request should be denied on this ground alone.

II. Because The Pennsylvania State Court's Order Is Not Final, Petitioners Have Improperly Invoked The Jurisdiction Of This Court.

Since 1789, Congress has granted this Court appellate jurisdiction with respect to state litigation only after the highest state court in which judgment could be had has rendered a final judgment or decree. *See Cox Broadcasting Corp. v. Cohn*, 420 U.S. 469, 477-78, 95 S.Ct. 1029, 1037 (1975) (internal quotations omitted). 28 U.S.C. § 1257(a) embodies the limitation on this Court's power to review state court decisions, and has been interpreted here as precluding review "where anything further remains to be determined by a state court, no matter how dissociated from the only federal issue that has finally been adjudicated by the highest court of the State." *See Cox Broadcasting Corp.*, 420 U.S. at 478, 95 S.Ct. at 1037 (quoting *Radio Station WOW, Inc. v. Johnson*, 326 U.S. 120, 124, 65 S.Ct. 1475, 1478 (1945)).

Petitioners would invoke this Court's appellate review power over a simple discovery order. However, not only has no federal issue been decided heretofore (because, as explained above, it has been raised here for the first time), but an entire trial remains to be decided by the Pennsylvania State Court. Thus, the decision of which Petitioners seek review is far from the final determination that this Court requires. *See, e.g., Flynt v. Ohio*, 451 U.S. 619, 621, 101 S.Ct. 1958, 1959 (1981). The discovery order, granting Respondent's motion to compel, is simply not a final order susceptible to review. *See Firestone Tire & Rubber Co. v. Risjord*, 449 U.S. 368, 378, 101 S.Ct. 669, 675 (1981) (observing that this Court has "generally denied review of pretrial discovery orders") (citing *United States v. Ryan*, 402 U.S. 530, 533, 91 S.Ct. 1580, 1582 (1971)); *Cobbledick v. United States*, 309 U.S. 323, 325, 60 S.Ct. 540, 541 (1940)).

This view is analogous with the same general principle governing review by the United States Courts of Appeals where, pursuant to 28 U.S.C. § 1291, "[a]n order denying or granting discovery is ordinarily not appealable." *See Katz v. Batavia Marine & Sporting Supplies, Inc.*, 984 F.2d 422, 424 (Fed. Cir. 1993). *See also Enprotech Corp. v. Renda*, 983 F.2d 17, 20 (3rd Cir. 1993) (pretrial discovery orders generally are not final decisions) (citations omitted); *Periodical Publishers Service Bureau, Inc. v. Keys*, 981 F.2d 215, 217 (5th Cir. 1993) (discovery orders are usually not appealable because they are not final

decisions) (citations omitted); *Marchetti v. Bitterolf*, 968 F.2d 963, 967 (9th Cir. 1992) (pretrial orders governing discovery are not appealable because they are not final) (citation omitted); *Reise v. Board of Regents of the Univ. of Wisconsin System*, 957 F.2d 293, 294-95 (7th Cir. 1992) (observing that "[d]etails of discovery are a long way from final decision" and explaining why discovery orders "are not appealable despite their irreversible costs" to the party affected) (citing *Stringfellow v. Concerned Neighbors in Action*, 480 U.S. 370, 380, 107 S.Ct. 1177, 1184 (1987)); *Richmark Corp. v. Timber Falling Consultants, Inc.*, 937 F.2d 1444, 1449 (9th Cir. 1991) (pre-judgment orders compelling discovery are not considered final judgments from which an appeal is permitted) (citation omitted). Therefore, the non-finality of the decision of which Petitioners seek this Court's review is another reason to deny the Petition for Writ of Certiorari.

III. Petitioners Have Not Been Deprived Of Their Property.

Petitioners contend that the Pennsylvania State Court's order granting Respondent's motion to compel means they are "being ordered to irrevocably surrender the property rights inherent in trade secret information without benefit of a hearing." *See* Petition for Writ of Certiorari at 17. As a practical matter, there is nothing "irrevocable" about allowing the opposing party to discover relevant information for exclusive use in the litigation in accordance with the

terms of a mutually-drafted protective order. The protective order provides that any confidential information produced during the case is to be returned after its conclusion. Significantly, the protective order was reviewed and approved by the Pennsylvania State Court.

Moreover, Petitioners' claim that they will be deprived of their property rights is fundamentally flawed. To begin, Petitioners' position begs the question since the basic issue before the Pennsylvania State Court concerns which party is the lawful possessor and owner of trade secret information. Thus, the question of ownership of property rights is very much at the heart of the state court litigation.

However, even assuming, *arguendo*, that Petitioners' lawfully own their trade secrets which constitute property rights within the meaning of the Fourteenth Amendment, Petitioners' cannot show anywhere in the record how the Pennsylvania State Court's order granting Respondent's motion to compel will deprive Petitioners of their property. Petitioners' claimed future injury, without something more, is based entirely on unsupported speculation that Respondent will violate the protective order and subject itself to contempt by using the information for an improper purpose. As stated, the Stipulation and Order of Confidentiality confines the use of any produced information only to the pending litigation. Without any evidence, or even a proper inference based on evidence, Petitioners' argument is

speculative, and as such, fails to present a justiciable issue ripe for review, much less a federal question of any importance.

IV. Petitioners Have No Entitlement To An Evidentiary Hearing On A Discovery Issue.

Petitioners claim that due process was not accorded them because the Pennsylvania State Court granted Respondent's motion to compel without conducting an evidentiary hearing. *See* Petition for Writ of Certiorari at 19-20.

However, Petitioners have not cited a single decision supporting their contention. This is not surprising, for the likely import of a judicial decision supporting Petitioners' position would be the use of evidentiary hearings to resolve virtually every routine discovery dispute. Clearly, such a waste of judicial resources could not be sanctioned by any competent court.

Ironically, Petitioners complain vigorously about the "empty evidentiary record" on which the Pennsylvania State Court's decision was based, and yet, refer in their Petition to an affidavit of the President of USA Direct, Inc. submitted in support of their motion for reconsideration in the lower court. *See* Petition for Writ of Certiorari at 29-30. By their own admission, then, the Pennsylvania State Court

had before it evidence in the form of that affidavit to assist in the resolution of the issue.

It is beyond doubt that in supervising discovery, the trial court has broad discretion to take such action as it deems appropriate with respect to discovery. *Kerns v. Methodist Hosp.*, 574 A.2d 1068, 1073, 393 Pa. Super. 533 (1990). Pennsylvania courts have long recognized that, when faced with disputed factual issues, the trial court must "resolve the dispute by receiving evidence thereon through interrogatories, depositions or an evidentiary hearing." *See Holt Hauling and Warehousing Systems, Inc. v. Aronow Roofing Co.*, 309 Pa.Super. 158, 161, 454 A.2d 1131, 1133 (1983) (quoting *Luitweiler v. Northchester Corp.*, 456 Pa. 530, 535, 319 A.2d 899, 902 (1974)). *See also Slota v. The Moorings, Ltd.*, 343 Pa.Super. 96, 100, 494 A.2d 1, 2-3 (1985) (same).

In the context of a civil action, the use of an evidentiary hearing is but one alternative the trial court can use to resolve contested factual issues. Here, the trial court, using its discretion, relied upon the affidavit of the President of USA Direct, Inc. as evidence in deciding to grant Respondent's motion to compel. Petitioners have failed to demonstrate, nor have they cited any authority for the proposition, that the Pennsylvania State Court abused that discretion. Accordingly, Petitioners have presented no proper legal basis to reverse the trial court's decision.

CONCLUSION

For the foregoing reasons, the Petition for Writ of Certiorari should be denied.

Respectfully submitted,

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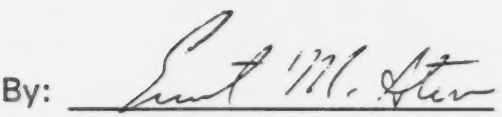
By: 
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Paul J. Kennedy

Dated: January 23, 1995